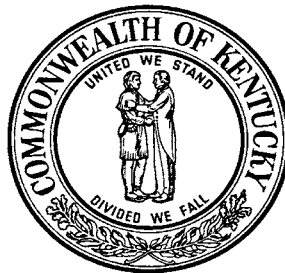


**REPORT OF THE AUDIT OF THE  
LARUE COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**September 24, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
**[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Turner, LaRue County Judge/Executive  
Honorable Merle L. Edlin, LaRue County Sheriff  
Members of the LaRue County Fiscal Court

The enclosed report prepared by Potter & Company, LLC, Certified Public Accountants, presents the LaRue County Sheriff's Settlement - 2001 Taxes.

We engaged Potter & Company, LLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Potter & Company, LLC, evaluated the LaRue County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**LARUE COUNTY, KENTUCKY  
MERLE L. EDLIN, SHERIFF  
SHERIFF'S SETTLEMENT -  
2001 TAXES**

FINANCIAL STATEMENT AND  
INDEPENDENT AUDITOR'S REPORT

September 24, 2002



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LARUE COUNTY SHERIFF'S SETTLEMENT - 2001 TAXES**

**September 24, 2002**

Potter & Company, LLP has completed the audit of the Sheriff's Settlement - 2001 Taxes for the LaRue County Sheriff as of September 24, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

The Sheriff collected net taxes of \$3,038,765 for the districts for 2001 taxes. The Sheriff distributed taxes of \$2,914,041 to the districts for 2001 taxes. No taxes are due to the districts from the Sheriff and refunds of \$1,850 are due to the Sheriff from the taxing districts.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





**LARUE COUNTY, KENTUCKY  
MERLE L. EDLIN, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES**

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**POTTER & COMPANY, LLP**

Certified Public Accountants • Business Advisors

County Plaza Building • 200 East Main Street, Suite 400 • Lexington, KY 40502 • (606) 254-1100 • Fax: (606) 254-1101 • [www.potterco.com](http://www.potterco.com)

## **NDEPENDENT AUDITOR'S REPORT**

### **To the People of Kentucky**

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary, Finance  
and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Turner, County Judge/Executive  
Honorable Merle L. Edlin, County Sheriff  
Members of the LaRue County Fiscal Court

We have audited the LaRue County Sheriff's Settlement - 2001 Taxes as of September 24, 2002. This tax settlement is the responsibility of the LaRue County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the LaRue County Sheriff's taxes charged, credited, and paid as of September 24, 2002, in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Potter & Company, LLP*

POTTER & COMPANY, LLP

November 20, 2002

**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**  
September 24, 2002

| <b><u>Charges</u></b>                               | <b><u>County<br/>taxes</u></b> | <b><u>Special<br/>taxing<br/>districts</u></b> | <b><u>School<br/>taxes</u></b> | <b><u>State<br/>taxes</u></b> |
|-----------------------------------------------------|--------------------------------|------------------------------------------------|--------------------------------|-------------------------------|
| Real estate                                         | \$ 462,799                     | \$ 283,593                                     | \$ \$ 1,450,104                | \$ 466,227                    |
| Tangible personal property                          | 27,953                         | 16,886                                         | 83,253                         | 54,082                        |
| Intangible personal property                        |                                |                                                |                                | 14,397                        |
| Fire protection                                     | 1,280                          |                                                |                                |                               |
| Franchise corporation                               | 59,893                         | 37,282                                         | 179,970                        |                               |
| Additional billings                                 | 983                            | 590                                            | 3,073                          | 1,032                         |
| Bank franchises                                     | 44,963                         |                                                |                                |                               |
| Penalties                                           | 3,945                          | 2,608                                          | 12,861                         | 4,009                         |
| Adjusted to Sheriff's receipt                       | <u>(108)</u>                   | <u>(59)</u>                                    | <u>(376)</u>                   | <u>(212)</u>                  |
| Gross chargeable to Sheriff                         | <u>\$ 601,708</u>              | <u>\$ 340,900</u>                              | <u>\$ 1,728,885</u>            | <u>\$ 539,535</u>             |
| <br>                                                |                                |                                                |                                |                               |
| <b><u>Credits</u></b>                               |                                |                                                |                                |                               |
| Exonerations                                        | \$ 5,206                       | \$ 3,234                                       | \$ 16,144                      | \$ 4,547                      |
| Discounts                                           | 8,114                          | 4,377                                          | 22,468                         | 7,911                         |
| Delinquents:                                        |                                |                                                |                                |                               |
| Real estate                                         | 8,221                          | 5,199                                          | 25,760                         | 8,282                         |
| Tangible personal property                          | 906                            | 538                                            | 2,653                          | 2,445                         |
| Uncollected franchise                               | <u>10,094</u>                  | <u>6,097</u>                                   | <u>30,067</u>                  |                               |
| Total credits                                       | <u>\$ 32,541</u>               | <u>\$ 19,445</u>                               | <u>\$ 97,092</u>               | <u>\$ 23,185</u>              |
| Net tax yield                                       | \$ 569,167                     | \$ 321,455                                     | \$ 1,631,793                   | \$ 516,350                    |
| Commissions<A>                                      | <u>(24,477)</u>                | <u>(13,620)</u>                                | <u>(65,272)</u>                | <u>(22,232)</u>               |
| Net taxes due                                       | \$ 544,690                     | \$ 307,835                                     | \$ 1,566,521                   | \$ 494,118                    |
| Less:                                               |                                |                                                |                                |                               |
| Taxes paid                                          | 544,925                        | 307,908                                        | 1,566,772                      | 494,436                       |
| Refunds (current and prior year)                    | <u>168</u>                     | <u>101</u>                                     | <u>528</u>                     | <u>176</u>                    |
| Refund due Sheriff<br>as of completion of fieldwork | <u><u>\$ (403)</u></u>         | <u><u>\$ (174)</u></u>                         | <u><u>\$ (779)</u></u>         | <u><u>\$ (494)</u></u>        |

**<B>**

**<A> and <1> see page 4**

**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES (CONTINUED)**  
September 24, 2002

<A> Commissions:

|          |              |
|----------|--------------|
| 10% on   | \$ 10,000    |
| 4.25% on | \$ 1,395,681 |
| 4% on    | \$ 1,631,793 |
| 1% on    | \$ 1,291     |

<B> Special Taxing Districts:

|                        |            |
|------------------------|------------|
| City of Upton          | \$ (32)    |
| Extension District     | (44)       |
| Health District        | (31)       |
| Library District       | (66)       |
| Magnolia Fire District | <u>(1)</u> |

|                                                     |                        |
|-----------------------------------------------------|------------------------|
| Due from districts as of completion<br>of fieldwork | \$ <u><u>(174)</u></u> |
|-----------------------------------------------------|------------------------|

**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**  
**NOTES TO FINANCIAL STATEMENT**  
September 24, 2002

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting:**

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

**Basis of Accounting:**

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

**Cash and Investments:**

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**NOTE 2 - DEPOSITS**

The Sheriff maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of

**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**  
NOTES TO FINANCIAL STATEMENT  
September 24, 2002

NOTE 2 - DEPOSITS (CONTINUED)

the depository institution. These requirements have been met, and as of September 24, 2002, the Sheriff's deposits are fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

NOTE 3 - TAX COLLECTION PERIOD

Property Taxes:

The real and personal property tax assessments are levied as of January 1, 2001. Property taxes are billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 19, 2001 through April 24, 2002.

NOTE 4 - INTEREST INCOME

The LaRue County Sheriff earned approximately \$3,400 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

NOTE 5 - SHERIFF'S 10% ADD-ON FEE

The LaRue County Sheriff collected approximately \$16,900 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

NOTE 6 - ADVERTISING COSTS AND FEES

The LaRue County Sheriff collected approximately \$500 of advertising costs and fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*





**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary, Finance  
and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Turner, County Judge/Executive  
Honorable Merle L. Edlin, County Sheriff  
Members of the LaRue County Fiscal Court

## Compliance

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LaRue County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary, Finance

and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tommy Turner, County Judge/Executive

Honorable Merle L. Edlin, County Sheriff

Members of the LaRue County Fiscal Court

Page Two

This report is intended solely for the information and use of management and the Auditor of Public Accounts and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in black ink that reads "Potter & Company, LLP". The script is cursive and fluid, with the letters "P" and "C" being particularly large and stylized.

POTTER & COMPANY, LLP

November 20, 2002

